

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4088-01
Bill No.: SB 717
Subject: Business and Commerce; Licenses - Misc; Revenue Dept.; Taxation and Revenue
- General
Type: Original
Date: February 15, 2010

Bill Summary: Would require a statement of no tax due for state and local business licenses and for receipt of payments from the state legal expense fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
School District Trust	Unknown	Unknown	Unknown
Conservation Commission	Unknown	Unknown	Unknown
Parks, and Soil and Water	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning, the Department of Conservation, the Department of Insurance, Financial Institutions, and Professional Registration, and the Department of Public Safety, Office of the Director and Division of Alcohol and Tobacco Control**, assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) noted that this proposal would create a requirement for a business license applicant or a state legal expense fund claimant to provide a statement of no tax due before the license could be issued or payment made. This proposal would result in a significant positive fiscal impact due to the increased collections of delinquent taxes. Based on delinquent tax collections under the current No Tax Due program, DOR anticipates that it would collect an additional \$1.5 million in additional delinquent business taxes per month. This would result in additional estimated collections of \$3 million in FY 2012 and \$18 million per year after. DOR did not provide an estimate of cost to their organization.

Oversight will indicate an unknown increase in revenues from the collection of delinquent taxes for those state funds which receive payroll and sales taxes, and for local governments.

DOR officials assume that additional computer programming would be required to update tax processing systems. DOR officials estimated the cost at \$17,808 based on 672 hours of programmer time.

Oversight assumes that DOR could absorb the cost of system updates with existing resources. If unanticipated costs are incurred or if multiple proposal are enacted which increase the DOR workload, resources could be requested through the budget process.

Officials from **Cass County**, **St. Louis County**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organizations.

Officials from the **City of Kansas City** assume this proposal would require the city not to issue or renew the city business licenses of any business not in possession of a "statement of no tax due" from the Missouri Department of Revenue. City officials noted that current legal provisions apply only to a business where goods are sold at retail. The proposal would appear to extend those provisions to any business with a city license which owes a delinquency to the State of Missouri for sales or use tax, income tax withholding, corporate franchise tax, or lead acid battery fees.

ASSUMPTION (continued)

City officials assume their organization would incur postage expense and labor cost in preparing and mailing the notices of non-renewal and additional postage expense and labor cost in reinstating the license after the state tax delinquency was satisfied. Additional labor costs would be required for police enforcement to insure that the business ceased operations during the period the license was not in force. City officials also noted that the proposal does not include provisions for reimbursement to local governments for their administrative costs.

During the period of license suspension required by the proposal the city would be unable to collect license taxes from the business with the state tax delinquency. City officials assume the proposal would cause the city to lose some portion of its annual \$126 million in revenue from collection of business license taxes.

City officials did not provide an estimate of the potential additional cost involved in implementing the proposal nor for the potential lost revenue from city license fees and taxes.

Oversight assumes that local governments could add information regarding the requirements of this proposal to their websites and to material sent to businesses regarding their license application forms. The cost of such additional notifications would appear to be minimal, and the number of licensees which would fail to provide the required state form would likely be minimal as well.

Oversight further assumes that any losses related to this proposal would be minimal, and that the proposal could result in additional tax collections from the payment of delinquent taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Additional Revenue</u> - delinquent tax collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
SCHOOL DISTRICT TRUST FUND			
<u>Additional Revenue</u> - delinquent tax collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
CONSERVATION COMMISSION FUND			
<u>Additional Revenue</u> - delinquent tax collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Additional Revenue</u> - delinquent tax collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Local Government

FY 2011
(10 Mo.)

FY 2012

FY 2013

LOCAL GOVERNMENTS

Additional Revenue - delinquent tax
collections

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

Unknown

Unknown

Unknown

FISCAL IMPACT - Small Business

This proposal could have a minor fiscal impact to small businesses which would be required to obtain and present the statement of no tax due when applying for a business license.

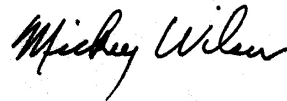
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Insurance, Financial Institutions, and Professional Registration
Department of Public Safety
 Office of the Director
 Division of Alcohol and Tobacco Control
Department of Revenue
Cass County
St. Louis County
City of Centralia
City of Kansas City



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